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TAGS: ETRD, EFIN, ETTC, PGOV, PREL, SY  
SUBJECT: CORRUPTION INVESTIGATION RATTLES BUSINESS COMMUNITY

REF: A. DAMASCUS 168  
B. DAMASCUS 218  
C. 08 DAMASCUS 541

Classified By: Charge d'Affaires Maura Connelly for reasons 1.4(b,d)

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Summary  
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1. (S) The recent imprisonment of a prominent businessman thought to be close to President Asad has rattled the Syrian business community. Although the high-profile arrest was not reported by Syrian media, Prime Minister Utri made a veiled

reference to it in a daily newspaper, saying, "we will cut off the hand of any who dare to abuse the public funds." Business contacts report that two other business elites are currently under investigation for corruption charges linked to the February arrest of Customs Directorate Chief Brigadier General Hasan Makhoul, including the current Chairman of the Damascus Chamber of Industry. Adding to their concern, a popular local business magazine recently published profiles of "The Top 100 Syrian Businessmen," which many feared would raise their profile to the regime. Conspicuously absent from the article was Syria's most famous tycoon, Rami Makhoul. End summary.

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Computer Magnate Imprisoned  
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2. (C) Syrian business elites are abuzz with the news that SARG security officials jailed Engineer Firas Bakour (DOB: 01/30/1966) in late March, along with former Minister of Communication and Technology Amro Salem and two unnamed employees of Syria Telecommunications Establishment (STE). Contacts report that Bakour's arrest stemmed from a USD 65 million SARG tender that he was awarded to provide a Voice Over Internet Protocol (VOIP) service to STE. According to the reports, SARG officials were angered at the slow pace of Bakour's progress in fulfilling the contract -- particularly when his "winning" bid for the tender had been over twice as high as those of several foreign companies. A close friend of Bakour's offered a different take, claiming that the Sunni Bakour's Alawi enemies had grown jealous of the virtual monopoly his company enjoyed over IT in Syria and the USD 10 million that he was reportedly earning each month.

3. (C) The President and CEO of INANA Group -- an umbrella of eight subsidiary companies that offer a variety of information technology, telecommunications, marketing, entertainment and business development lines -- Bakour was close to President Bashar al-Asad in the mid-1990s when Asad headed the then-nascent Syrian Computer Society (SCS). A longtime Embassy contact with a sister living in Florida, Bakour's presence at Embassy rep events in 2007 had a chilling effect on other guests due to his alleged ties to SARG security services. While Syrian media has not reported the high-profile arrest, Prime Minister Utri made a thinly-veiled reference to it in the March 31 edition of daily Tishreen, saying, "we will cut off the hand of any who dare to abuse the public funds."

4. (C) In 2008, former Minister of Communications and Technology Amro Salem told us that he was asked to resign from his ministerial post in December 2007 because he had launched an investigation into Bakour's suspicious business activities. He claimed then that President Asad had personally cleared him of any wrongdoing and had ordered the investigation of Bakour to proceed. (Note: It would not be unusual for Syrian security forces to arrest all suspects

while sorting out individual stories. End note.)

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Known By the Company You Keep  
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5. (C) Adding to the business community's case of the jitters, the locally popular Syrian business magazine al-Iqtissadi (the Economist) dedicated this week's edition to profiling "The Top 100 Syrian Businessmen." Listing the businessmen alphabetically, the 55-page article contained photographs and 3-5 paragraph corporate biographies of each prominent businessman and his family. Firas Bakour was featured in the magazine, as was one-time SyriaTel Chief Operating Officer Nader Qa'lai, who is reportedly himself under investigation for embezzlement. Syria's most infamous tycoon -- Rami Makhlouf -- was conspicuously absent, as were Muhammad and Abdulsalam al-Haykal, who own the media company that publishes al-Iqtissadi. The website "Syrian Informer," which is blocked in Syria, commented disparagingly on the list as largely comprising nouveaux riches who have acquired wealth through opportunism and corruption, presumably in contrast to the more "virtuous" Damascenes who inherited their fortunes.

6. (C) Embassy contacts who were listed in the article expressed nervousness at having their profiles publicly elevated, while others were relieved to have not been mentioned. The head of one featured family lamented that the article was probably already in the hands of the SARG's equivalent to the Internal Revenue Service (IRS), which he claimed would be examining the tax returns of each listed family over the last several years. (Note: The only Syrians who consistently pay the correct amount of income tax seem to be public servants, whose taxes are withheld automatically from their government salaries. End note.)

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Wider SARG Campaign Underway?  
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7. (S) Bakour's arrest is the latest event in what contacts report is a wide-ranging SARG crackdown on "corruption" that began with the January sacking of Political Security Department Chief Major General Muhammad Mansurah and mid-February arrest of Chief Customs official Brigadier General Hasan Makhlouf (refs A,B). (Note: By all accounts, Hasan is not close to his more famous cousins Muhammad, Rami and Hafiz Makhlouf. End note.) The oft-heard rumor on the Damascus streets is that Hasan Makhlouf attracted the ire of Maher Asad after the President's brother learned from a real estate agent that the Customs Director's driver had tried to purchase a multi-million dollar property in Lattakia. Investigators allegedly discovered some USD 50 million hidden in the driver's home, which -- according to the story -- enraged Maher and prompted the Palace to act.

8. (S) The rumor of Hasan Makhoulf's millions is strikingly similar to another story that circulated around Damascus following the August 2008 assassination of Brigadier General Muhammad Sulayman (ref C). Sulayman, who was Asad's top security aide and reportedly managed several sensitive military projects, was killed by sniper fire in the coastal city of Tartous while Asad was visiting Tehran. The subsequent investigation into Sulayman's slaying reportedly uncovered USD 80 million cash in a basement room of the general's home in the mountains between Damascus and the Lebanese border. Asad was said to be devastated by the discovery, and, fearing Sulayman had betrayed him, redirected the investigation from solving his murder to finding out how the general had acquired so much money.

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Car Importers Under Suspicion  
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9. (S) Embassy contacts report that two prominent businessmen are under suspicion in the Makhoulf/Mansurah investigation -- Ammar Karkour and Chairman of the Damascus Chamber of Industry Imad Ghreiwati. Karkour, the Syrian agent for Audi/VW, and Ghreiwati, who owns the Ford dealership and represents LG electronics, are both suspected of bribing the Customs Director to accept grossly reduced invoices on their imported cars and electronics in order to avoid paying customs duties on the goods' actual value. The Ghreiwati family may have had a falling out with the Asad clan in fall 2008, as Imad's brother Issam then complained bitterly to us about the President, the SARG's decision to close Damascus Community School -- where the Ghreiwati children studied -- and revealed that the entire family was considering emigrating to the U.S. (Note: Ghreiwati's fall from grace would be cheered by many of his class-conscious peers, who resent his family's meteoric ascent to social prominence and his once-favored status among the Alawis. End note.)

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Comment  
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10. (S) While there does not yet appear to be a direct link between Bakour's arrest and the Makhoulf/Mansurah investigation, our contacts believe that his incarceration is part of a broader "anti-corruption" campaign ordered by the Palace to re-assert Asad's authority and to shake-up the status quo. The Palace has probably already chosen the eventual winners and losers in this investigation, the timing of which may coincide with a long-anticipated cabinet reshuffle. Regardless of the SARG's motivation, the business community's concern is illustrative of their tenuous relationship with the Syrian government. While Bakour's and Ghreiwati's situations demonstrate that proximity to the regime is no guarantee of long-term security, other businessmen equate Syria's byzantine legal and tax codes -- and not their lack of compliance to them -- to a sword of

Damocles the regime dangles over their heads to keep them in line.

CONNELLY

=====CABLE ENDS=====